EU-ETS revision: a call to recognise rail's contribution to decarbonisation

On 17 July 2026, the European Commission will unveil a comprehensive proposal to revise the EU Emissions Trading System (ETS), aligning the carbon market with the Union's 2040 climate target and industry competitiveness objectives. Just days before the proposal is unveiled, **Europe's rail and Combined Transport sectors collectively ask that the ETS remains true to its spirit: by earmarking its revenues to reward the sectors that have effectively decarbonised and hold accountable those that have not**.

As several transport modes, including those dominantly powered by fossil fuels, come forward to claim a share of the ETS revenue, we point out that rail is already Europe's lowest-emission mass transport system and a proven carbon avoidance engine for both freight and passengers. Over 80% of rail traffic in the EU is already electrified, and rail accounts for less than 1% of transport greenhouse gas emissions. **Unlike road or aviation, rail already runs largely on decarbonised electricity**, and delivers system-wide emission savings when freight shifts from road to rail and combined transport, and when passengers shift from short-haul aviation or private cars to rail. This makes it future-ready from a climate standpoint and far less dependent on offset mechanisms.

At the same time, electrified rail transport, electric transshipment and electric trucks are indirectly penalised by the ETS, given that the electricity market powering these activities has been fully covered by the ETS carbon pricing mechanism from the onset.[1] **Rail is not asking to be exempted from the ETS, but asks that some of what it pays return to support the use of its capacity**.

This should apply to the whole rail system: on the one hand to high-speed, regional and urban passenger rail. And on the other hand to freight corridors, electrification of terminals and depots, as well as traction power supply, rolling stock modernisation, and digital capacity tools for both segments. In the rail freight segment, around 1,000 daily intermodal freight train departures connect roughly 1,300 terminals across Europe, which enables the shifting of freight from road to rail. Such modal shift cuts energy use per tonne-kilometre by up to 70% and carbon emissions by 60-90%. But despite all this, and although the sector closed 2025 with a positive result, rail freight's market share remains far from the 30% target to be reached by 2030. The reason is not much a lack of demand from shippers, but the result of infrastructure constraints e.g sub-740-metre train paths, suboptimal bypass routes, incomplete cross-border interoperability, insufficient and inefficient train paths for freight, as well as insufficient financing for the construction or upgrade of intermodal terminals.

To ensure rail operations remain competitive and attractive to customers:

- Parts of the revenues of the EU ETS must be dedicated to supporting the efforts of rail at EU level.
- At national level, more ETS revenues should be allocated for rail, with Member States earmarking some of the revenues to rail investment and other instruments in order to reduce the uneven playing field between modes.
- The ETS revision should move from discretionary good practice to a clearer obligation: ETS, ETS2, Innovation Fund, Modernisation Fund, Social Climate Fund and any new ETS-based investment instruments should prioritise rail projects that deliver measurable domestic carbon avoidance.

[1] The ETS cost borne by electrified rail transport across the EU27 amounts to around €571 million a year at a carbon price of €79.36/t of CO2. Should the carbon price rise to €110/t by 2027, as projected, that annual cost could exceed €790 million [CER]

Two priorities should follow:

First, within the **ETS Innovation Fund**, the European Commission should support solutions that make rail freight and passenger more attractive, more efficient, more reliable, more flexible, and easier to integrate into modern logistics chains. Solutions can include:

- Upgrading rail infrastructure and expanding the electrification of infrastructure used by trains, including passenger lines, feeder lines, terminals and overtaking tracks, and connecting rail to ports.
- Strengthening cross-border interoperability, by supporting the deployment of rolling stock-focused game-changing technologies, such as ERTMS, FRMCS and DAC.
- Enhancing transport and industrial logistics and integrating innovative technologies or business models to move substantially more passengers and freight by rail.

Second, a modal shift support drive should be backed by the **ETS Investment Booster** and the **ETS Industrial Decarbonisation Bank.** While innovation and investment in other modes take time to deliver results, modal shift brings an immediate emissions cut. For instance: every volume shifted onto rail and combined transport – at the core of which are electric rail and energy-efficient waterborne modes – is immediately decarbonised without the need to wait for technical progress or market penetration of carbon-free solutions. Combining innovation in other modes with modal shift can accelerate the decarbonisation of freight transport twice as fast as relying on other modes' decarbonisation alone.

The climate benefit would come from a functioning, high-capacity rail network rather than from isolated assets. However, for rail to remain competitive and attractive, the investments to achieve climate goals should be safeguarded from increasing costs in energy, access to infrastructure, operations and maintenance.

The ETS revision must uphold the polluter pays principle as well as competitive fairness. Rail already bears ETS costs through electricity and already delivers carbon avoidance for freight and passengers. The ETS reform should complete the logic of carbon pricing by returning a fair share of ETS revenues to the cleanest transport mode: rail. Investing ETS revenues in rail will accelerate decarbonisation, strengthen Europe's competitiveness, and help deliver the EU's climate, competitiveness and sustainability objectives.

The signatories

AERRL – Association of European Rail Rolling Stock Lessors (www.aerrl.eu)
Founded in 2021, AERRL represents the rail rolling stock lessors at European level, promoting interoperable, sustainable, efficient and safe passenger and cargo rolling stock for the European railways. AERRL is also supporting an increased open access to railway infrastructure.

ALLRAIL — the Alliance of Passenger Rail New Entrants (www.allrail.org)
ALLRAIL represents independent passenger operators active or seeking to operate open-access and public service obligation services across Europe along with other relevant independent companies in the rail sector.

CER – The Community of European Railway and Infrastructure Companies (www.cer.be)
Founded in Brussels in 1988, the Community of European Railway and Infrastructure Companies (CER) brings together close to 70 railway undertakings, their national associations as well as infrastructure managers and vehicle leasing companies. CER's role is to represent the interests of its members on the EU policy-making scene, in particular to support an improved business and regulatory environment for European railway operators and railway infrastructure companies.

ERFA – European Rail Freight Association (www.erfarail.eu)
ERFA is the European Association representing private and independent rail freight companies. ERFA members share a commitment to work towards a non-discriminatory, competitive and innovative Single European Railway area by promoting attractive, fair and transparent market conditions for all rail freight enterprises.

EIM – European Rail Infrastructure Managers (https://eimrail.org)
Established in 2002, EIM provides a single voice to represent its members (infrastructure managers (IMs) vis-à-vis to the relevant European institutions and sector stakeholders. EIM also assists members to develop their businesses through the sharing of experiences and contributing to the technical and safety activities of the Agency (ERA).

UIP – International Union of Wagon Keepers (www.uiprail.org)
UIP is the European umbrella association of national associations from fourteen European countries representing private wagon keepers, ECMs and more than 255 000 freight wagons, performing 50% of the rail freight tkm throughout Europe. By means of research, advocacy and focused cooperation with all stakeholders and organisations interested in rail freight transport, UIP wants to secure in the long term the future of rail freight transport.

UIRR – The voice of Europe's intermodal freight transport (www.uirr.com)
UIRR brings together 113 leading Intermodal Transport Operators, Transhipment Terminal Managers, Technology Partners and National Associations to steer the EU policy agenda towards a competitive zero-carbon intermodal transport freight sector for Europe. UIRR also advocates for stronger standards, increased interoperability and harmonised digital, operational, and technical processes.

UNIFE – The European Rail Supply Industry Association (www.unife.org)
UNIFE, the European Rail Supply Industry Association represents European train builders and rail equipment suppliers. The association advocates for more than 115 of Europe's leading rail supply companies – from SMEs to major industrial champions – active in designing, manufacturing, maintaining and refurbishing rail transport systems (trains, metros, trams, freight wagons), subsystems and related equipment. UNIFE also brings together national rail industry associations from 12 European countries.